

1947

Report to Stockholders



NATIONAL TOOL COMPANY

CLEVELAND, OHIO

DIRECTORS

HARRY W. BARKLEY	- - - - -	Cleveland, Ohio
President, National Tool Company		
GEORGE O. DESAUTELS	- - - - -	Indianapolis, Indiana
President, George O. Desautels Company		
FRED V. GARDNER	- - - - -	Milwaukee, Wisconsin
Senior Partner, Fred V. Gardner & Associates		
LEWIS F. JUBENVILLE	- - - - -	Orchard Lake, Michigan
Vice President, National Tool Company		
SAMUEL J. KORNHAUSER	- - - - -	Cleveland, Ohio
Chairman of the Board, National Tool Company		
J. VICTOR LOEWI	- - - - -	Milwaukee, Wisconsin
President, Loewi & Company		
JOHN S. PEARSON	- - - - -	New York City
Dobbs & Company		

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, Chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

SAMUEL J. KORNHAUSER	- - - - -	Cleveland, Ohio
Chairman of the Board		
HARRY W. BARKLEY	- - - - -	Cleveland, Ohio
President and General Manager		
LEWIS F. JUBENVILLE	- - - - -	Orchard Lake, Michigan
Vice President		
DAVID M. HALLIER	- - - - -	Cleveland, Ohio
Vice President and Sales Manager		
LAWRENCE A. HEGENBARTH	- - - - -	Cleveland, Ohio
Secretary, Treasurer and Comptroller		
LEWIS M. SHAFER	- - - - -	Cleveland, Ohio
Assistant Secretary and Assistant Treasurer		

REGISTRAR OF STOCK

CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK

NATIONAL TOOL COMPANY, Cleveland, Ohio

INDEPENDENT AUDITORS

HASKINS & SELLS

The Annual Meeting of Stockholders will be held on April 27, 1948. Notice of the Meeting and Proxy Form will be mailed to each holder of Common Stock on or about April 3, 1948.

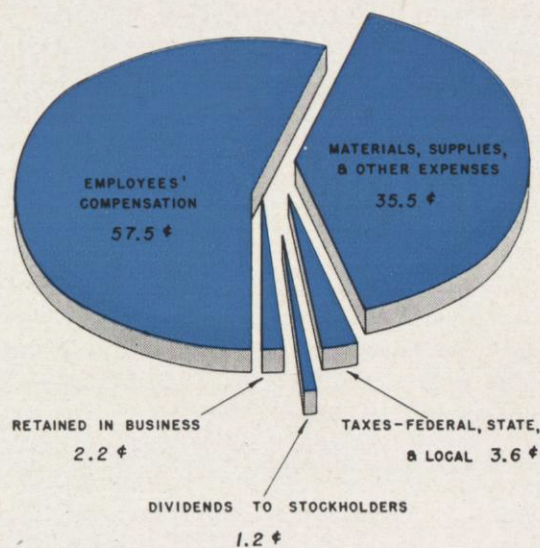
NATIONAL TOOL HIGHLIGHTS

1947 and 1946

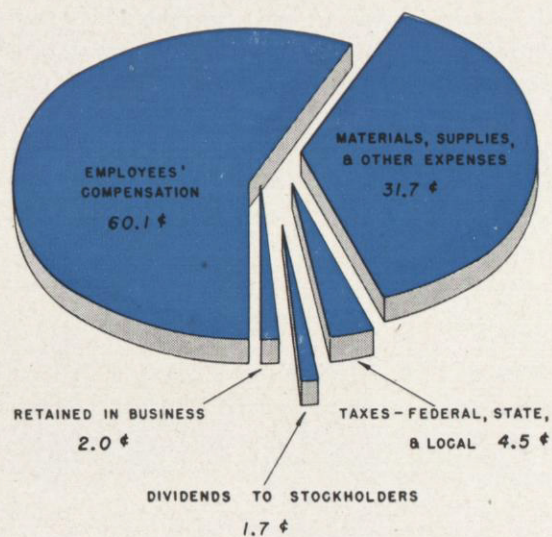
	1947	1946
Net Sales	2,797,271	2,056,875
Net Income	97,240	75,785
Ratio of Net Income to Sales	3.48%	3.69%
Dividend Paid	34,431	34,429
Net Income Retained in Business	62,809	41,356
Capital Expenditures	102,705	181,600
Working Capital	401,309	393,809
Net Income—Per Share	42.4¢	33¢
Cash Dividend—Per Share	15¢	15¢
Number of Stockholders	1133	1100
Number of Employees	416	440
Employees' Compensation	1,611,929	1,241,843

BREAKDOWN OF INCOME DOLLAR

1947



1946



A N N U A L

R E P O R T

TO THE STOCKHOLDERS OF NATIONAL TOOL COMPANY

The Annual Report of National Tool Company for the calendar year 1947 is presented herewith, with the approval of the Board of Directors. Included in the report are copies of the Balance Sheet at December 31, 1947; Statement of Income and Earned Surplus for the year; Notes to Financial Statements, and Accountants' Certificate, as prepared by Haskins & Sells, Certified Public Accountants.

SALES

Net Sales of \$2,797,271 in 1947 were \$740,396, or 36%, larger than the Net Sales in 1946. Particularly gratifying is the fact that this volume is the largest reached in any peace-time year since the Company's inception forty-three years ago.

The increase is attributable, primarily, to the enlarged demand for the Company's products on the part of manufacturing industries in general. Moreover, service to our customers was augmented during the past year by a broadened and more effective sales force, and by additional, and considerably improved, manufacturing facilities. These combined factors made it possible to continue the Company's policy of providing constantly improved products at reasonable prices.

EARNINGS

The 1947 Net Income of \$97,240 is equal to 42.4 cents per share on the 229,591 common

shares outstanding at the end of the year. This compares with earnings of 33 cents per share for 1946. The ratio of profit to sales for 1947, however, was slightly less than the 1946 ratio, because of higher costs of labor, materials, supplies, etc. and the inability to recover fully these increased costs through increases in selling prices.

A cash dividend of fifteen cents a share was paid in 1947, and a dividend of like amount was paid during 1946.

WORKING CAPITAL

Working Capital at December 31, 1947 was \$401,309, a slight increase over that reported at the end of the preceding year. Current Assets exceed Current Liabilities by more than two to one.

Included in Current Assets is the Company's approved claim for refund of Federal Income and Excess Profits Taxes in the amount of \$115,064, payment of which is expected in the near future. Accrued interest, estimated at \$17,000, will also be due the Company upon settlement of the claim, but has not been included in the following statements.

A substantial portion of the proceeds of the tax claim, when received, must be used to reduce the Company's indebtedness under its Term Loan Agreement, and provision for this intended payment has been made by including it in "Notes Payable to Bank" in the Current Liabilities section of the Balance Sheet.

CAPITAL IMPROVEMENTS

During 1947 a total of \$102,705 was spent for new machinery and equipment. This is a sum in excess of the net income for the year, and is almost twice the depreciation reserve provided during the year.

The greater portion of this expenditure represented the cost of completing the expansion and rearrangement program begun in the latter months of 1945, the total cost of which was approximately \$375,000. For this amount, however, the Company acquired machinery and other equipment having an original cost value of over \$700,000. The present replacement cost of this equipment, as well as the replacement cost of all other facilities in use, is considerably in excess of original cost. The amount at which the total Plant and Equipment is carried in the Balance Sheet is, therefore, very conservative. Present plans indicate that Capital Expenditures during 1948 will be considerably less than in 1947.

One of the benefits resulting from the acquisition of these additional facilities was the increase of 36% in shipments which was realized in 1947.

LABOR RELATIONS

Two general wage increases, together with other increased benefits, were granted to employees, through negotiation, during the year. The present wage rates, shift differentials, paid holidays, etc. enjoyed by National Tool employees are in line with those in comparable industries in the Cleveland area.

The Management wishes to express its appreciation and gratitude to all employees in the organization for loyal and efficient services during the past year, which have been instrumental in making the year a successful one.

LOOKING AHEAD

It is, of course, impossible to foretell, accurately, the general course of business for the full year of 1948, or the factors that may directly or indirectly affect the Company's operations during that period. However, a study of the results from operations during the past three months gives an insight into the Company's probable activity for the immediate future. The present backlog of orders is higher than at any time during the past six months. Inquiries, and orders received from customers, in the last three months have been consistently increasing, and were greater than those received during the same period a year ago.

In 1946, the Company adopted a policy of increasing solicitation of orders for production parts and assemblies to supplement orders for our principal products, which are special cutting tools. During 1947, substantial shipments of production parts and repair parts were made. Additional specialized sales offices, in good trading areas, have been recently acquired, and concentration of effort through these offices is expected to increase orders for this type of product during the coming year.

Increased activity in such industries as automobile, tractor and farm implement, household appliances, transportation, oil-well equipment, etc. is expected to create a constantly growing demand for the Company's products. This, together with the additional sales force, concentrated selling effort, improved manufacturing facilities and processes, and a more seasoned organization of trained personnel, are favorable factors for improvement and progress during the coming year.

HARRY W. BARKLEY
President

March 20, 1948

NATIONAL TO

BALANC

DECEMBER

ASSETS

CURRENT ASSETS:

Cash			\$ 123,006
Accounts receivable:			
Trade	\$ 209,365		
Other	9,162	\$ 218,527	
Less reserve for doubtful accounts		3,978	214,549
Inventories — at lower of cost or market:			
Finished goods	\$ 26,422		
Goods in process	154,318		
Raw materials and supplies	135,240	\$ 315,980	
Less reserve for loss and obsolescence		10,000	305,980
Federal income and excess profits tax refunds receivable			115,064
Total current assets			\$ 758,599

MUTUAL INSURANCE DEPOSITS (NET) AND OTHER NONCURRENT
RECEIVABLES

13,794

LAND, BUILDINGS, AND EQUIPMENT — At cost:

Land		\$ 39,104	
Buildings, machinery, and equipment (including \$176,139 fully amortized emergency facilities)	\$1,088,993		
Less reserve for depreciation and amortization	511,818	577,175	
Total land, buildings, and equipment			616,279

DEFERRED CHARGES:

Deferred tool expense		\$ 42,120	
Other		1,585	
Total deferred charges			43,705
TOTAL			<u>\$1,432,377</u>

The Notes to Financial Statements are ar

OL COMPANY

E SHEET

31, 1947

LIABILITIES

CURRENT LIABILITIES:

Notes payable to bank		\$ 181,000
Accounts payable:		
Trade	\$ 47,949	
Other	4,402	52,351
Accrued salaries, wages, and commissions		42,749
Accrued real estate and social security taxes		13,039
Accrued Federal income tax		60,180
Miscellaneous accruals		7,971
Total current liabilities		\$ 357,290

NOTES PAYABLE TO BANK DUE IN 1949 60,000

CAPITAL STOCK AND SURPLUS:

Common capital stock, \$1 par value—authorized, 600,000 shares; issued and outstanding, 229,591 shares — Note B		\$ 229,591
Surplus:		
Paid-in (no change during the year)	\$ 136,916	
Earned since January 1, 1940—Note A	648,580	785,496
Total capital stock and surplus		1,015,087

TOTAL \$1,432,377

an integral part of the above balance sheet.

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNED SURPLUS

For the Year Ended December 31, 1947

GROSS SALES, LESS RETURNS, ALLOWANCES, AND DISCOUNTS	\$2,797,271
COST OF GOODS SOLD	<u>2,197,462</u>
GROSS PROFIT FROM SALES	\$ 599,809
SELLING, ADMINISTRATIVE, AND GENERAL EXPENSES	<u>442,099</u>
PROFIT FROM OPERATIONS	\$ 157,710
OTHER INCOME CREDITS	<u>9,399</u>
GROSS INCOME	\$ 167,109
INCOME CHARGES:	
Interest	\$10,085
Other	<u>784</u>
Total	<u>10,869</u>
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAX	\$ 156,240
PROVISION FOR FEDERAL INCOME TAX — Estimated	<u>59,000</u>
NET INCOME FOR THE YEAR	\$ 97,240
EARNED SURPLUS, JANUARY 1, 1947	<u>585,771</u>
Total	\$ 683,011
SURPLUS CHARGES — Dividends	<u>34,431</u>
EARNED SURPLUS, DECEMBER 31, 1947	<u><u>\$ 648,580</u></u>

The Notes to Financial Statements are an
integral part of the above statement.

NATIONAL TOOL COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE A — The agreement relating to notes payable to bank limits the amount of dividends which may be paid in any year to a portion of that year's earnings.

NOTE B — Ten thousand shares of unissued capital stock of the Company are subject to a purchase option by an officer of the Company until August 1, 1950 at a price of \$5 a share for the first five thousand shares and \$6 a share for the additional five thousand shares.

NOTE C — Depreciation expense included in the accompanying statement of income amounts to \$58,715.

NATIONAL TOOL COMPANY

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TERMINAL TOWER
CLEVELAND 13

ACCOUNTANTS' CERTIFICATE

National Tool Company:

We have examined the balance sheet of National Tool Company as of December 31, 1947 and the related statement of income and earned surplus for the year ended that date. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earned surplus present fairly the financial condition of the Company at December 31, 1947 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 24, 1948.

SALES OFFICES

D. M. HALLIER

Vice President and Sales Manager

CLEVELAND, OHIO

J. W. McIntyre

G. W. Davis

— oOo —

CUTTING TOOLS

AKRON, OHIO

D. G. McMillan

FORT WAYNE, INDIANA

George O. Desautels Co.

MOLINE, ILLINOIS

John J. Normoyle Co.

BOSTON, MASSACHUSETTS

Harold L. Henchey

HARTFORD, CONNECTICUT

The A. R. Shevlin Co.

MUNCIE, INDIANA

George O. Desautels Co.

BUFFALO, NEW YORK

Don. W. Patterson Co.

HOUSTON, TEXAS

R. E. Schuller

NEWARK, NEW JERSEY

H. Wilson Ryno

CHICAGO, ILLINOIS

N. W. Dorr Co.

INDIANAPOLIS, INDIANA

George O. Desautels Co.

PHILADELPHIA, PENNSYLVANIA

Otto Wilhelmy & Son

DAYTON, OHIO

R. B. Nuckols

LOS ANGELES, CALIFORNIA

Burgan Machinery Co.

PITTSBURGH, PENNSYLVANIA

Chester S. Fischer Co.

DENVER, COLORADO

Silver Engineering Works, Inc.

MEMPHIS, TENNESSEE

Bud Watts Machinery Co.

ST. LOUIS, MISSOURI

John J. Barnard

DETROIT, MICHIGAN

E. G. Hardig

MILWAUKEE, WISCONSIN

W. H. Foster Engineering Co.

SAN FRANCISCO, CALIFORNIA

Allen O'Neill Associates

ERIE, PENNSYLVANIA

Edward Weingard

MINNEAPOLIS, MINNESOTA

Walter R. Hammond Co.

TOLEDO, OHIO

Fred C. Ahrendt

PRODUCTION PARTS

DETROIT, MICHIGAN

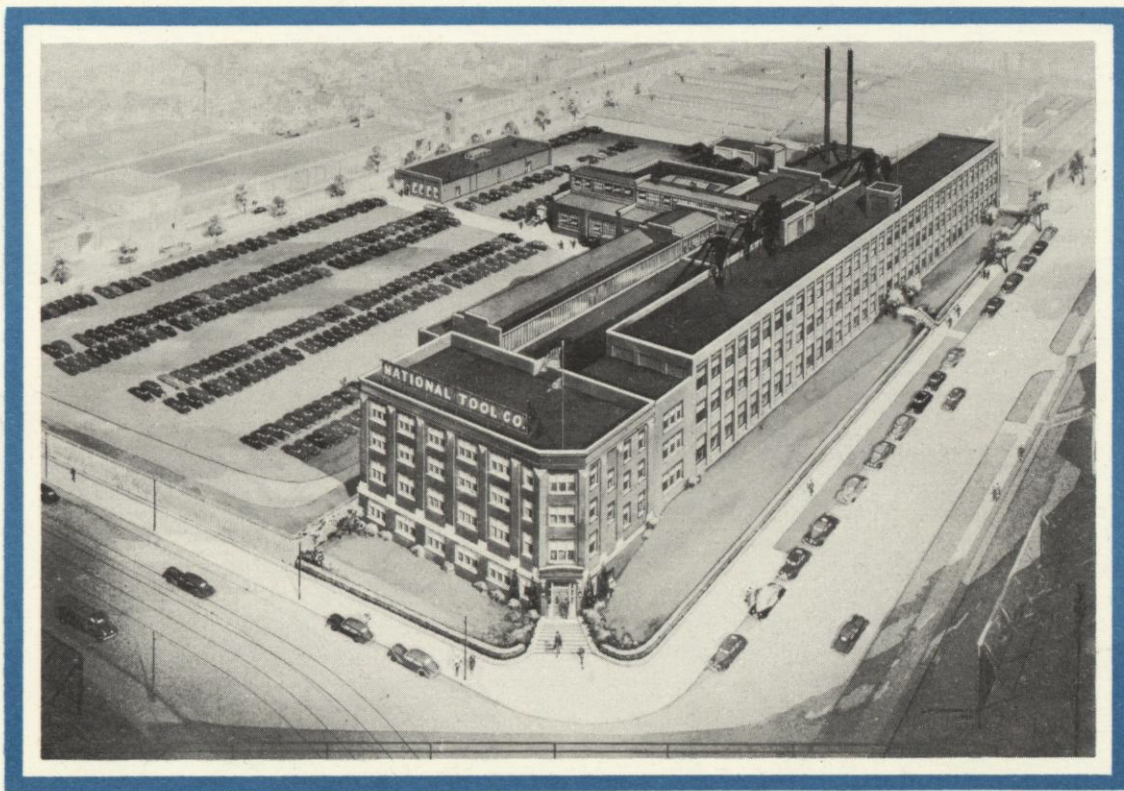
Andrew L. Hotton

FORT WAYNE, INDIANA

W. E. McGahey

PHILADELPHIA, PENNSYLVANIA

Towle & Son Co.



Our Forty-third Year

